

Blue Cross & Blue Shield of Rhode Island

Trend and Comparison Supplement

Submitted in Conjunction with the Direct Pay Rate Filing Effective April 1, 2008
November 15th, 2007

I. Historical Rates of Trend for Existing Products

The following table illustrates the latest filed annual trend factors that were filed and approved for Class DIR for the respective year/benefit category. Also shown at the bottom of the table are historical actual Direct Pay claims per member per month (PMPM) annual trends for rate years beginning 7/2003 and 4/2006.

<i>Category</i>	<i>Effective July 2003</i>	<i>Effective April 2006</i>	<i>Effective April 2007</i>
Inpatient	1.1127	1.0885	1.0850
Outpatient	1.1065	1.1615	1.1442
Surgical/Medical	1.1259	1.0841	1.0595
Major Medical	1.0856	1.0841	1.0595
Prescription Drugs	1.0639	1.1000	1.1000
Weighted Total	1.1015	1.1042	1.0923
Historical Actual ⁽¹⁾	1.0772	0.9986	N/A

- (1) Allowed dollar trend, excluding Economy plan, since they did not have the full scope of benefits. Trend effective July 2003 is the annual trend from 7/02-6/03 to 7/03-6/04. Trend effective April 2006 is the annualized trend from 5/04-4/05 to 4/06-3/07.

The following table illustrates BCBSRI's filed trends versus those illustrated in a recent industry survey:

<i>Source</i>	<i>2003</i>	<i>2006</i>	<i>2007</i>
BCBSRI Class DIR Rating Trends (from above)	10%	10%	9%
Oliver Wyman Survey Median Trend ⁽¹⁾	15%	10%	10%

- (2) Oliver Wyman Survey trend represents the median trend at July of each year from industry surveys. From July 2007 Oliver Wyman Carrier Trend Report 2007.2 Analysis. This survey is the only survey readily available that contains trends specific to Class DIR.

As can be seen in the table above the rating trends used by BCBSRI are at or below the average rating trends used in the industry for individual products. Note that historical actual trends are skewed due to the multiple benefit changes over the last several years. This is discussed further in the pre-filed testimony John Lynch, the chief actuary of BCBSRI.

II. Price Comparisons to Other Market Rates for Similar Products

A. Comparison of Benefits and Premium Rates (Direct Pay)

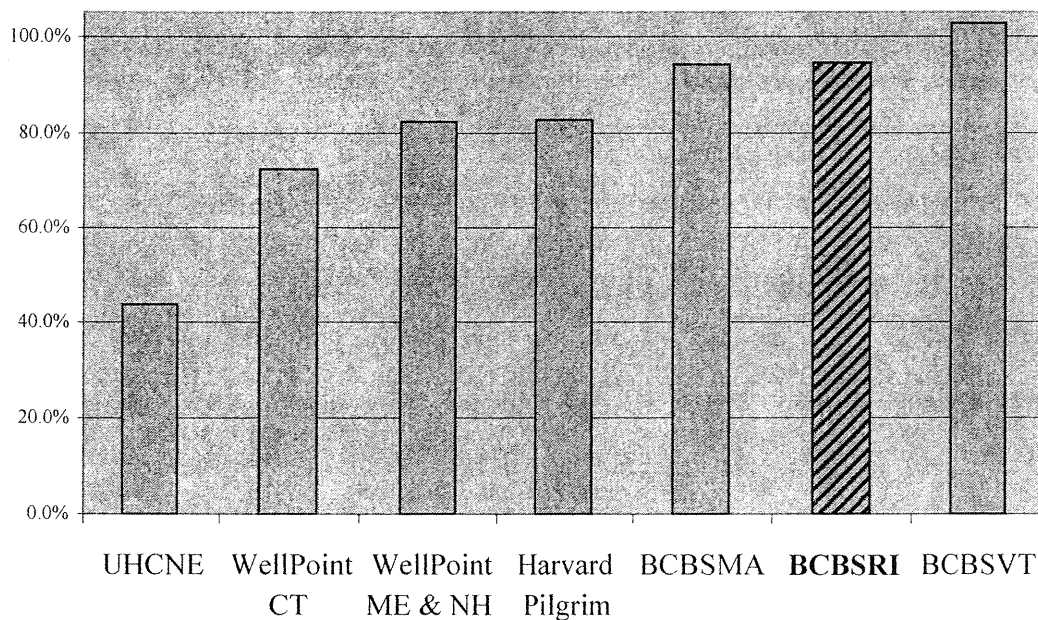
Attachment I is a sample comparison of the rates and some benefits proposed in this rate filing to rates and some benefits for similar plan types being offered by other New England plans in the non-group market. Pool II rates are most comparable to the rates in Connecticut because they are both medically underwritten and age/gender rated. However, since Connecticut does not also offer guaranteed issue rates, there is no cross-subsidy built into their medically underwritten rates. In addition, Connecticut has a \$5 Million lifetime maximum benefit. Therefore, the proposed Pool II rates are often, but not always, higher than the rates in Connecticut. Pool I rates are most comparable to the rates in Vermont because they are both guaranteed issue and community rated. The proposed Pool I rates are lower than the rates in Vermont.

Maine rates are usually higher than our proposed Pool II rates and sometimes higher than our proposed Pool I rates. Maine is guaranteed issue, age rated, and has a \$2-\$3 Million lifetime maximum. Massachusetts rates are usually lower than our proposed Pool I rates and sometimes lower than our proposed Pool II rates. Massachusetts is guaranteed issue, region, and age rated. New Hampshire rates are usually lower than our proposed Pool II rates and often lower than our proposed Pool I rates. New Hampshire is guaranteed issue, region, and age rated. The rates shown do not include the optional maternity rider, which would add about \$500 to each rate. Also, New Hampshire has a state-sponsored high risk pool and a \$2 Million lifetime maximum benefit.

B. Comparison of Medical Loss Ratios (Direct Pay)

The following chart shows a comparison of medical loss ratios for CY 2006 for regional plans offering individual coverage. It shows Rhode Island as having the second highest medical loss ratio among the regional plans for calendar year 2006. This comparison implies that relative to premium paid, BCBSRI Direct Pay members received the second greatest benefit value.

Comparison of CY 2006 Non-Group Medical Loss Ratios for the NorthEast Region ⁽¹⁾



(1) Based on NAIC annual statements for individual business. CIGNA NE is excluded since it had no reported non-group premium for CY 2006.

BCBSRI's strategy with regards to medical loss ratios for the entire Class DIR line of business is to target an amount equal to 100% less the targeted risk margin and administrative expenses. The process for determining medical loss ratios for Pool I and Pool II is described in the enclosed testimony of Mr. Lynch. Provided that our administrative expenses and risk margin remain in-line and/or lower than the other carriers, our medical loss ratios should remain in the middle to upper half of this comparison. The projected required loss ratio for the proposed rates in this rate filing is 88%.

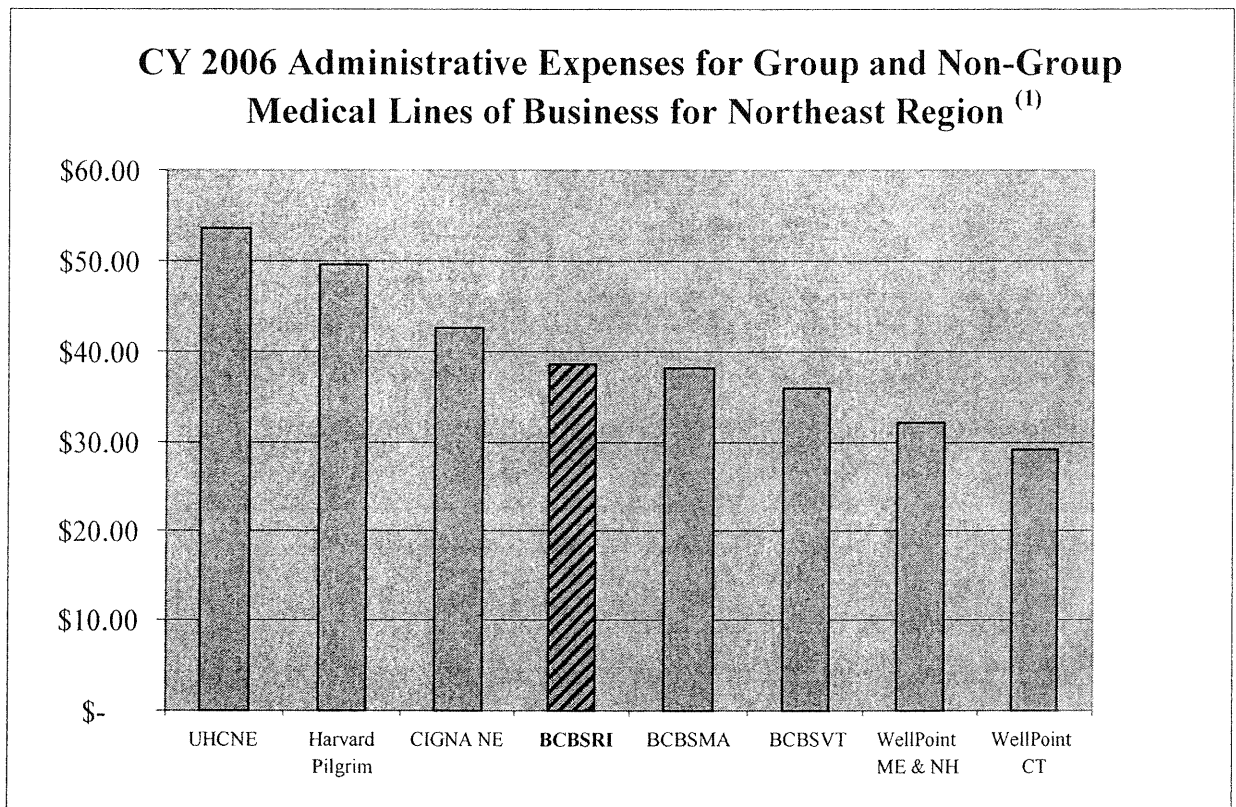
C. Comparison of Administrative Costs (Direct Pay)

Blue Cross & Blue Shield of Rhode Island takes actions to control our operating expenses both during the budget setting process and during the year. The process recognizes that prudent decisions must be made to balance the desire to control operating expenses with the need to limit increases in benefits expense:

- The budget process includes a comparison of our operating expenses compared to other insurers operating in the New England Region.
- Proposed new initiatives are evaluated for their return on investment prior to determining what new activities will be undertaken.
- Expense management is an ongoing process. The management of each division has been directed to manage their operations within their budget while achieving

the operational goals of the organization. Failure to meet this goal will be considered in the employee evaluation process. Expense management has also been incorporated as a component of the Executive and Employee incentive plans.

The following chart shows a comparison of administrative costs (on a PMPM basis) for Commercial (Direct Pay and group coverage combined) among the regional plans. It shows that BCBSRI's administrative expense is in-line with the median administrative expense for the region. Note that the inter-company expense comparison provided below is made on a dollar basis rather than a percent of premium basis because it avoids distortions that would otherwise be introduced by benefit design and prevailing medical cost differences among carriers.



(1) Based on NAIC annual statements for group and non-group medical lines business.

III. Trends by Service Category

The following table illustrates the overall trend factors by type of service applicable to this rate filing. The detailed regression analysis and graphs behind these factors are supplied with the filing schedules.

<i>Type of Service</i>	<i>Projection Factor</i>	<i>Annual Trend Factor</i>
Inpatient	1.2266	1.1075
Outpatient	1.1766	1.0847
Surgical/Medical	1.1345	1.0651
Preferred Rx	1.2206	1.1048
<i>Weighted Total</i>	1.1826	1.0875

New England Blue Cross Blue Shield Plans by Plan Type

Attachment I

Similar Direct Pay Product Offerings

Plan Type A		Deductible (Indiv/Family)	Rating Type (1)	Rating Pool	Lifetime Max	Single Male 25	Single Female 25	Family 35 Yr Old w/ Spouse & 2 Kids	Two Adults 63 Yr Old & 60 Yr Old
RI	HealthMate CTC \$400	\$400/\$800	MU/AG GI/C	Pool 2 Pool 1	None None	\$214 \$685	\$305 \$685	\$810 \$1,295	\$1,177 \$1,295
MA	Blue Care Elect Preferred	\$250/\$500	GI/RA	X	None	\$444	\$444	\$1,569	\$1,755
CT	Century Preferred Direct 80/20 PPO	\$250/\$500	MU/AG	X	\$5M	\$154	\$219	\$770	\$1,216
ME	HealthChoice Standard	\$500/\$1000	GI/A	X	\$2M	\$721	\$721	\$1,970	\$2,163

Plan Type B		Deductible (Indiv/Family)	Rating Type (1)	Rating Pool	Lifetime Max	Single Male 25	Single Female 25	Family 35 Yr Old w/ Spouse & 2 Kids	Two Adults 63 Yr Old & 60 Yr Old
RI	HealthMate CTC \$2,000	\$2,000/\$4,000	MU/AG GI/C	Pool 2 Pool 1	None None	\$161 \$515	\$229 \$515	\$611 \$974	\$886 \$974
MA	Preferred Blue PPO Basic \$2,000	\$2,000/\$4,000	GI/RA	X	None	\$214	\$214	\$756	\$855
NH	Blue Direct \$2,000*	\$2,000/\$6,000	GI/RA	X	\$2M	\$136	\$136	\$584	\$1,053
CT	Century Preferred Direct 100 PPO	\$1,500/\$3,000	MU/AG	X	\$5M	\$130	\$185	\$650	\$1,026
ME	HealthChoice Standard	\$1,500/\$3,000	GI/A	X	\$2M	\$679	\$679	\$1,856	\$2,037

* The NH rates shown do not include maternity coverage.

Plan Type C		Deductible (Indiv/Family)	Rating Type (1)	Rating Pool	Lifetime Max	Single Male 25	Single Female 25	Family 35 Yr Old w/ Spouse & 2 Kids	Two Adults 63 Yr Old & 60 Yr Old
RI	HealthMate CTC \$3,000 HSA	\$3,000/\$6,000	MU/AG GI/C	Pool 2 Pool 1	None None	\$139 \$441	\$197 \$441	\$524 \$836	\$760 \$836
VT	PPO Option A	\$3,500/\$7,000	GI/C	X	None	\$550	\$550	\$1,485	\$1,100
NH	Lumenos HSA Plan	\$2,500/\$5,000	GI/RA	X	\$2M	\$125	\$125	\$534	\$867
CT	Lumenos HSA Plan	\$2,500/\$5,000	MU/AG	X	\$5M	\$111	\$157	\$551	\$784
ME	Lumenos HSA Plan	\$2,500/\$5,000	GI/A	X	\$3M	\$327	\$327	\$976	\$884

* The NH rates shown do not include maternity coverage.

Plan Type D		Deductible (Indiv/Family)	Rating Type (1)	Rating Pool	Lifetime Max	Single Male 25	Single Female 25	Family 35 Yr Old w/ Spouse & 2 Kids	Two Adults 63 Yr Old & 60 Yr Old
RI	HealthMate CTC \$5,000 HSA	\$5,000/\$10,000	MU/AG GI/C	Pool 2 Pool 1	None None	\$110 \$348	\$156 \$348	\$416 \$661	\$602 \$661
VT	Individual HSA Blue	\$5,000/\$10,000	GI/C	X	None	\$410	\$410	\$1,106	\$820
NH	Lumenos HSA Plan*	\$5,000/\$10,000	GI/RA	X	\$2M	\$107	\$107	\$456	\$741
CT	Lumenos HSA Plan	\$5,000/\$10,000	MU/AG	X	\$5M	\$89	\$127	\$446	\$634
ME	Lumenos HSA Plan	\$5,000/\$10,000	GI/A	X	\$3M	\$218	\$218	\$649	\$587

* The NH rates shown do not include maternity coverage.

(1) GI = Guaranteed Issue
C = Community Rated
A = Age Rated (no gender)

MU = Medically Underwritten
AG = Age & Gender Rated

RAG = Region, Age & Gender Rated
RA = Region & Age Rated (no gender)